

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4406-01
Bill No.: SB 1101
Subject: Banks and Financial Institutions; Bonds-General Obligation and Revenue; Cities, Towns and Villages; Political Subdivisions; Treasurer, State.
Type: Original
Date: March 8, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	\$958,333	\$1,150,000	\$1,150,000
Total Estimated Net Effect on <u>All</u> State Funds	\$958,333	\$1,150,000	\$1,150,000

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	Unknown	Unknown	Unknown

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Elementary and Secondary Education, Little Blue Valley Sewer District, Missouri Department of Conservation, Department of Highways and Transportation, Department of Revenue, and State Auditor's Office** assume the proposed legislation will not fiscally impact their organization.

Officials from the **Department of Natural Resources (DNR)** stated the proposed legislation does not change the DNR's authority. Therefore, no direct fiscal impact would be anticipated.

Officials from the **Blue Springs R-IV School District (Blue Springs)** stated revenues would be determined by the number of basis points above what regular investments might bring and minimum and maximum time periods for revenue deposited in the pool. The number of basis points the State Treasurer's Office would subtract as a processing fee from dividends gained would reduce overall income. However, the ability to invest in bond funds could provide an additional revenue source.

With regards to savings associated with the proposal, Blue Springs officials stated assuming all funds are collateralized at 100%, payments of interest must be credited daily because of the constant flow of funds in and out of the pool. Savings could occur if administrative fees (basis points subtracted) are lower than other pools such as the MO Securities Investment Program (MOSIP).

Costs associated with the proposed legislation would include administrative fees, which would depend on the amount invested, and things like the cost of wire transfers of funds in and out of the pool. Auditors will have to determine how interest income is posted, i.e. as it exits the pool, monthly, quarterly, etc., and how GASB 34 will affect or influence accountability of funds.

Finally, Blue Springs officials stated losses could occur through long-term investments when the rates could go higher, but this is always a possibility with investments.

Officials from the **Kansas City School District (District)** stated the District supports the establishment of a Local Government Investment Pool, but did not provide any information regarding possible fiscal impact.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** stated the proposed legislation should not result in additional costs or savings to the BAP. The proposed legislation would increase total state revenue.

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State (SOS)** state this bill creates the Local Government Investment Pool. The State Treasurer will promulgate rules to implement this bill.

Based on experience with other divisions, the rules, regulations and forms issued by the State Treasurer could require as many as 8 pages in the *Code of State Regulations*. For any given rule, roughly one-half again as many pages are published in the *Missouri Register* as are published in the Code because cost statements, fiscal notes and notices are not published in the Code. The estimated cost of a page in the *Missouri Register* is \$23.00. The estimated cost of a page in the *Code of State Regulations* is \$27.00. The actual costs could be more or less than the numbers given. The fiscal impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded and withdrawn. The SOS estimates the cost of this legislation to be \$492 [(8 pp x \$27) + (12 pp x \$23)].

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **State Treasurer's Office (STO)** stated that assuming all General Time Deposits will utilize the new pricing method, STO staff estimate a positive revenue impact for the "at least" language of \$450,000 annually. For the Securities lending portion of the proposal, STO staff estimate a positive revenue impact of \$400,000 annually. And, for the "Money Market Mutual Funds" portion of this proposal, STO staff estimate a positive revenue impact of \$300,000 annually. The overall revenue impact of these portions of the proposal would generate approximately \$1,150,000 annually.

Officials from the **Kansas City Manager's Office, St. Louis City Manager's Office, St. Louis County Manager's Office, Jackson County Executive, Clay County Commission, Platte County Commission, Greene County Commission, St. Charles County Executive, City Manager of the Cities of: Springfield, Columbia, St. Charles, Independence, Metro St. Louis Sewer District, LeMay Fire Protection District, Chesterfield Fire Protection District, Mehlville Fire Protection District, Raytown Fire Protection District, St. Charles Fire Protection District, Metro West Fire Protection District, West Co. EMS and Fire, Maryland Heights Fire Protection District, Creve Coeur Fire Protection District, Barton County Memorial Hospital, Cass Medical Center, Cooper County Memorial Hospital, Excelsior Springs Medical Center, Lincoln County Memorial Hospital, Pemiscot Memorial Hospital, Phelps County Regional Medical Center, Ray County Memorial Hospital, Samaritan Memorial Hospital, Ste. Genevieve County Memorial Hospital, Blue Springs School District, Columbia Public Schools, Fort Zumwalt School District, Independence School District, Jefferson City Public Schools, Kansas City Public School Board, Lee's Summit R-7 School** ASSUMPTION (continued)

District, Kirksville R-III School District, Springfield Public Schools, St. Louis Public Schools, and Cape Girardeau School District did not respond to our request for a statement of fiscal impact.

The propose legislation will result in an increase to Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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GENERAL REVENUE FUND

Income - State Treasurer's Office

Income from investment pool	<u>\$958,333</u>	<u>\$1,150,000</u>	<u>\$1,150,000</u>
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**NET ESTIMATED EFFECT ON
GENERAL REVENUE FUND**

<u>\$958,333</u>	<u>\$1,150,000</u>	<u>\$1,150,000</u>
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FISCAL IMPACT - Local Government

FY 2003 (10 Mo.)	FY 2004	FY 2005
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LOCAL GOVERNMENTS

Income - Local Governments

Investment pool income	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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**ESTIMATED NET EFFECT ON
LOCAL GOVERNMENTS**

<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This act allows the State Treasurer to subscribe for or purchase local government investment pool and money market mutual funds within parameters of the State Treasurer's written investment policy. Any obligations acquired by the State Treasurer may be sold for cash provided certain current law requirements are met.

DESCRIPTION (continued)

General obligation bonds of any political subdivision in the country shall be considered an acceptable security provided the bond is rated in the highest category by at least one nationally recognized statistical rating agency.

This act creates the "Local Government Investment Pool". This pool shall consist of all funds being handled by local public officials that are submitted to the State Treasurer for investment. Certain local public bodies are authorized to invest moneys through the pool that are not

immediately needed for the operation of the local body. The State Treasurer shall administer the pool on behalf of the participating local officials.

The pool may invest in SEC-regulated money market mutual funds. Requirements for the investment and record-keeping of the pool are created.

Certain local public bodies may invest in certain SEC- regulated money market mutual funds.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

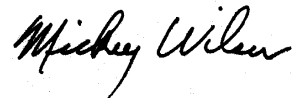
SOURCES OF INFORMATION

Department of Elementary and Secondary Education
State Auditor's Office
Office of Administration - Division of Budget and Planning
Office of the Secretary of State
Little Blue Valley Sewer District
Missouri Department of Conservation
Department of Highways and Transportation
Department of Revenue
Blue Springs R-IV School District
Kansas City School District
Department of Natural Resources

SOURCES OF INFORMATION (continued)

NOT RESPONDING: Kansas City Manager, St. Louis City Manager, St. Louis County Manager, Jackson County Executive, Clay County Commission, Platte County Commission, Greene County Commission, St. Charles County Executive, City Manager of the Cities of: Springfield, Columbia, St. Charles, Independence, Metro St. Louis Sewer District, LeMay Fire Protection District,; Chesterfield Fire Protection District, Mehlville Fire Protection District, Raytown Fire Protection District, St. Charles Fire Protection District, Metro West Fire Protection District, West Co. EMS and Fire, Maryland Heights Fire Protection District, Creve Coeur Fire Protection District, Barton County Memorial Hospital, Cass Medical Center, Cooper County Memorial Hospital, Excelsior Springs Medical Center, Lincoln County Memorial Hospital, Pemiscot Memorial Hospital, Phelps

County Regional Medical Center, Ray County Memorial Hospital, Samaritan Memorial Hospital, Ste. Genevieve County Memorial Hospital, Blue Springs School District, Columbia Public Schools, Fort Zumwalt School District, Independence School District, Jefferson City Public Schools, Kansas City Public School Board, Lee's Summit R-7 School District, Kirksville R-III School District, Springfield Public Schools, St. Louis Public Schools, and Cape Girardeau School District.



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Acting Director
March 8, 2002